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## BUSINESS AGGRESSION UNDER THE PATENT SYSTEM

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SECTION 271<sup>1</sup> of the Patent Act provides that “. . . whoever without authority makes, uses, or sells any patented invention, within the United States during the term therefore, infringes the patent.” And therein lies one of the principal mischiefs of the patent law. Ordinarily, a patent owner who believes his patent to be infringed by a product sues the offending manufacturer. If the patent owner prevails, he may have damages<sup>2</sup> and an injunction,<sup>3</sup> and he is thereby secured in his exclusive right to make, use, or sell the patent invention. But, as §271 explicitly declares, he is not confined to a remedy against the manufacturer. He may, if he elects, sue the manufacturer’s customers who “use or sell.” And in so doing he may in effect by the very assertion of his claim of infringement, regardless of its merit, impair the salability of the accused goods. He thus can achieve for himself or his licensees a competitive advantage even though his patent may ultimately be declared to be invalid.

Statistically, his patent probably will be declared invalid if a court ever passes on it.<sup>4</sup> Nevertheless, there are profits to be derived even from those patents which do not survive litigation. There is evidence that some patent owners assert their patents not to vindicate their rights, but to harass competitors by burdensome patent infringement litigation or by the threat of such

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<sup>1</sup> 66 Stat. 811 (1952), 35 U.S.C.A. §271(a) (1954).

<sup>2</sup> 66 Stat. 813 (1952), 35 U.S.C.A. §284 (1954).

<sup>3</sup> 66 Stat. 812 (1952), 35 U.S.C.A. §283 (1954).

<sup>4</sup> So much became apparent in Mr. P. J. Federico’s study, submitted to a congressional committee and reproduced in Hearings before the Subcommittee on Patents, Trademarks, and Copyrights of the Committee on The Judiciary, United States Senate, 84th Cong. 1st Sess. 178 (1955), hereinafter referred to as “1955 Hearings.” Mr. Federico’s tabulations show

litigation.<sup>5</sup> Courts and critics of the patent system have perceived this abuse. It is recognized that in many instances patents serve not to reward an inventor or his assignee for a signal contribution to technology, but as an instrument of unfair competition.

In 1941 the Temporary National Economic Committee observed that patents had "been used as a device to . . . suppress competition"<sup>6</sup> and to rectify the situation made the following recommendation:

In order to prevent the use of litigation as a weapon of business aggression rather than as an instrument for adjudicating honest disputes, we recommend legislation which will provide that no action, based upon a charge of infringement of any patent . . . shall be permitted against . . . any purchaser . . . of any article unless the plaintiff has previously secured a judgment against . . . the manufacturer of the article for infringement. . . .<sup>7</sup>

This recommendation has gone unheeded. No such legislation has resulted. Yet judicial opinions, before and since the TNEC report, show that the courts are aware of this "business aggression" and have moved to define this abuse of the patent system as a privately redressable tort.

This article is an effort to analyze the problem and causes of business aggression by patent, to trace the theory of unfair competition which has emerged in this context and to suggest the analytic embarrassments of such a theory as well as its practical limitations. It is the thesis of this article that judicial efforts to define and redress this business aggression as a private tort have failed as a means of control because of these limitations, and that the legislation proposed by the TNEC should be adopted.

The constitutional justification for granting patents is to promote the prog-

the following results on patents adjudicated before the U.S. Courts of Appeal in the years 1948-54.

CIRCUIT	NUMBER OF PATENTS	VALID AND INFRINGED		INVALID		NOT INFRINGED	
		Number	Per Cent	Number	Per Cent	Number	Per Cent
1.....	26	3	11.5	19	73.1	4	15.4
2.....	39	1	2.6	29	74.3	9	23.1
3.....	40	3	7.5	34	85.0	3	7.5
4.....	46	17	37.0	23	50.0	6	13.0
5.....	30	11	36.7	15	50.0	4	13.3
6.....	65	10	15.4	41	63.1	14	21.5
7.....	95	18	19.0	63	66.3	14	14.7
8.....	24	2	8.4	17	70.8	5	20.8
9.....	45	11	24.5	23	51.1	11	24.4
10.....	32	7	21.9	11	34.4	14	43.7
District of Columbia.....	1	..	....	..	....	..	....
Total.....	443	83	18.7	275	62.1	85	19.2
Total*.....	429	77	18.0	269	62.7	83	19.3

\* Excluding patents counted more than once.

<sup>5</sup> See notes 6 and 46 *infra* and accompanying text.

<sup>6</sup> Final Report and Recommendations of the Temporary National Economic Committee, Sen. Doc. No. 35, 77th Cong. 1st Sess. 36 (1941).

<sup>7</sup> *Id.*, at 37.

ress of science and useful arts.<sup>8</sup> Accordingly Congress has provided that "whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor."<sup>9</sup> Presumably any invention or discovery which is not "new and useful" within the meaning of those words as judicially interpreted or which is inconsonant with the constitutional purpose of promoting the progress of science and the useful arts,<sup>10</sup> should not be accorded the patent reward which serves as the incentive.

Any such reward would constitute an abuse of the patent system. The likelihood of such abuse will almost inevitably occur when one government agency is charged with the responsibility of issuing patents within statutory authority and the courts are charged with the responsibility of reviewing the agency's decision. The very fact that the patentee's grant of a monopoly may be annulled in judicial review necessarily creates a shadowy collection of rights, defeasible by the courts.

The possibility of this abuse will always exist, even assuming that the courts and the agency apply the same standards to the same evidence. This is particularly true if the test of validity is but vaguely defined. In the words of the statute, the question of patentability is whether "the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains."<sup>11</sup> Despite repeated efforts to formulate objective tests of invention, the test remains highly subjective and analogous to the reasonable man in negligence.

Moreover, the probability of abuse is aggravated to the degree that the issuing and enforcing bodies, i.e., the Patent Office and the courts, apply variant standards<sup>12</sup> to determine validity. This divergence has resulted from two causes,

<sup>8</sup> United States Const. Art. 1, §8.

<sup>9</sup> 66 Stat. 797 (1952), 35 U.S.C.A. §101 (1955).

<sup>10</sup> Consider Justice Douglas' argument to the effect that an exacting standard of invention is constitutionally required, concurring opinion, *Great Atlantic & Pacific Tea Co. v. Supermarket Equipment Corp.*, 340 U.S. 147, 155-56 (1950).

<sup>11</sup> 66 Stat. 798 (1952), 35 U.S.C.A. §103 (1954).

<sup>12</sup> The disparity may not be nearly so dramatic as might be indicated by the statistics shown in note 4 supra. It is the claims of a patent which measure the scope of the patent. *Milcor Steel Co. v. George A. Fuller Co.*, 316 U.S. 143, 145-46 (1942). The interpretation of these claims is the essence of the patent lawyer's practice—whether in soliciting the patent, rendering an infringement opinion, or conducting litigation. And this interpretation is not a matter alone of simply reading the claim against the accused device or process. *Westinghouse v. Boyden Power Brake Co.*, 170 U.S. 537, 557-58 (1898). In distinguishing prior art and establishing patentability, it requires also professional and expert judgment as to the effect of admissions and concessions made by the patentee or his solicitor, including the cancellation of broad claims and acceptance of narrower claims, *Smith v. Magic City Kennel Club, Inc.*, 282 U.S. 784, 788-90 (1931); *Key Boiler Equipment Co. v. Coleman*, 36 F.2d 195, 197 (C.A.1st, 1929); the addition of limitations to the claims, *Exhibit Supply Co. v. Ace Patents Corp.*, 315 U.S. 126, 136-37 (1942); or the conclusive definition of terms used, *Consolidated Water Power &*

one procedural, the other substantive: (1) the Patent Office is unable to examine applications with thoroughness, because of its *ex parte* procedures and the limits imposed by congressional appropriations; (2) the courts have adopted an increasingly exacting standard of invention which, it is widely believed, has not been followed by the Patent Office.

Even assuming an unlimited budget, the Patent Office is further hampered by its essentially competing functions of rewarding just claims for a patent, thus rewarding the true inventor, and resisting unjust claims, thus protecting the public. In its latter function the Patent Office is handicapped by operating within its largely *ex parte* procedures and consequently without the advantages of a complete adversary contest which the courts enjoy.<sup>13</sup>

It is generally conceded that the Patent Office, operating within its limited budget,<sup>14</sup> cannot accord each patent a thorough examination. Consequently,

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Paper Co. v. Kimberly Clark Corp., 107 F.Supp. 777 (E.D. Wis., 1952), *aff'd* 204 F.2d 573 (C.A.7th, 1953); Godfrey L. Cabot, Inc. v. J. M. Huber Corp., 127 F.2d 805, 807-8 (C.A.5th, 1942). Moreover, the claims are "read" and interpreted in light of the prior art, Scott Paper Co. v. Marcalus Mfg. Co., Inc., 326 U.S. 249, 255-57 (1945). However, a claim which does not by its terms read on an accused device may under the doctrine of equivalents nevertheless be infringed if the accused device "performs substantially the same function in substantially the same way to obtain the same result." Graver Tank & Mfg. Co. v. Linde Air Products Co., 339 U.S. 605, 608 (1950).

Regardless of the literal wording of the claims, to discover the meaning of the claims requires interpretation. Sometimes having narrowly limited the claims during prosecution, the patentee or his assignee will seek a broad interpretation of his claim in order to make out infringement, Sager v. Glove Corp., 118 F.2d 873 (C.A.7th, 1941). Yet this broad interpretation will read on the prior art and consequently invalidate the patent. These available alternative interpretations will sometimes prompt courts to hold patents invalid if infringed but not infringed if valid, e.g., Horine v. Ethicon, Inc., 142 F. Supp. 282, 287-88 (D. Md., 1956). In fairness, the Patent Office cannot be blamed in many such cases, for it has insisted on these limitations as a condition of issuance; and it is the responsibility of the courts to enforce those conditions. See Frost, Patent Office Performance in Perspective, 54 Mich. L. Rev. 591, 601-5 (1956). Whether patents so narrowly restricted should be issued at all, however, is a fair question.

<sup>13</sup> See Stedman, Invention and Public Policy, 12 Law & Contemp. Prob. 649, 657 (1947): "Even if the standards were the same, the fact that Patent Office proceedings are *ex parte* in nature makes it unlikely that the full facts and implications of the prior art, on the basis of which the question of invention must be determined, will be brought out. In the courts, on the other hand, an infringer plays a vigorous role as an opposition party."

<sup>14</sup> Throughout the 1955 Hearings, *op. cit.* supra note 4, it became apparent that the Patent Office suffers from personnel turnover among its examiners. Moreover, the workload imposed on each examiner necessarily hampers the thoroughness of his work. As Mr. Donald Brown, Vice President and Patent Counsel of Polaroid Corp., pointed out: "We believe that the present shortage of Patent Office personnel makes it impossible for the examiners adequately to search the art if the work of the Office is to be kept on a reasonably current footing. For example, it is our common practice, even in fields in which we are reasonably expert, to search the art before introducing a new product commercially. These searches, which are usually limited to United States patents of the last 15 or 20 years, may average 4 to 5 days of 1 man's time. An exhaustive literature search, such as we make if we are charged with infringement of another's patent, may run from 10 to 20 days of 1 man's time or even longer. As opposed to this, it is our understanding that the Patent Office's examiners, on the average, can devote not more than one-half day to the preparation of each Office action. . . . We do not believe that it is possible, even for a skilled examiner familiar with the art, to make an adequate search and

it is not surprising that many patents are held invalid because defense counsel in an *inter partes* patent infringement suit, spurred, as a Patent Office examiner cannot be, to search the art for anticipating or invalidating reference, often discover prior art references which the examiner has overlooked.<sup>15</sup>

The limitations of *ex parte* proceedings are most apparent when the argument for invalidity rests on prior public use<sup>16</sup> rather than on prior publication. The Patent Office is not adequately equipped to search the art for prior public uses which do not find recordation in the literature. Often, the only way in which a public use can come before the Patent Office during solicitation is through presentation by an opposing party engaged in interference proceedings<sup>17</sup> with the applicant. This deficiency has been magnified as some

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to consider a new specification or a fairly complete amendment within a period of 3 or 4 hours. . . . We feel that today much of the technical literature is not searched by the Patent Office examiners. We know that our own searches invariably develop references which we believe are closer than those developed by the Office." *Id.*, at 266-67.

As a result of overwork examiners may have developed a tendency to resolve doubts in borderline cases in favor of the applicant—a not unreasonable attitude. Moreover, patent solicitors are notorious for their pertinacity; see Davis, *Putting Patents to Work*, 36 *J. Pat. Off. Soc.* 713, 718 (1954): "All of us know that, if you are willing to take excessively narrow claims and to make a nuisance of yourself around the Patent Office long enough, you can get patents which have little if any validity in court."

The stubbornness of patent solicitors has not escaped judicial attention. Judge Learned Hand commented in *Lyon v. Boh*, 1 F.2d 48, 49-50 (S.D.N.Y., 1924), rev'd 10 F.2d 30 (C.A. 2d, 1926): "The case is the common one of needless elaboration of distinctions which are verbal and details which are trivial. It is absurd to apply in all such cases the rule that claims must at any cost be treated as patentably differentiated. Courts have descanted upon the abuse again and again, but the antlike persistency of solicitors has overcome, and I suppose will continue to overcome, the patience of examiners, and there is apparently always but one outcome." But Judge Hand's statement elsewhere (not necessarily inconsistent) suggests that prolixity may be inevitable. *Engineering Development Laboratories v. Radio Corp. of America* 153 F.2d 523, 526-27 (C.A.2d, 1946).

<sup>15</sup> In a study of 40 patents, Mr. Federico found that in six cases the patent was held invalid over the same prior art patents which had been cited by the examiner, and in thirty-four cases new references which had not been cited in the Patent Office were "used or referred to" by the court. 1955 Hearings at 184-85.

<sup>16</sup> 66 Stat. 797 (1952), 35 U.S.C.A. §102 (1954), provides, in part: "A person shall be entitled to a patent unless . . . (b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States. . . ."

<sup>17</sup> The so-called public use proceedings are provided for in Rule 292 of the Rules of Practice of the United States Patent Office in Patent Cases: "When a petition for the institution of public use proceedings, supported by affidavits, is filed by one *having information of the pendency of an application* and is found, on reference to the primary examiner, to make a prima facie showing that the invention involved in an interference or claimed in an application believed to be on file had been in public use or on sale one year before the filing of the application, or before the date alleged by an interfering party in his preliminary statement or the date of invention established by such party, a hearing may be had before the Commissioner to determine whether a public use proceeding should be instituted." (Emphasis added.)

Patent Office Rule 14 provides that pending applications are preserved in secrecy and that no information about a pending application will be given out except in unusual circumstances. Consequently, in many cases the only way in which anyone interested can learn of the patent

courts have relaxed the burden of proof required to establish a prior public use. After the *Barbed Wire*<sup>18</sup> case, it was generally assumed that some surviving piece of physical evidence of the prior public use was an absolute condition of proof of the defense. Although some courts have applied the *Barbed Wire* rule to this day,<sup>19</sup> other courts wavered on the point,<sup>20</sup> and then held that the same quantum of proof applied to the defense as to any other. Specifically, oral testimony alone can be sufficient to prove a prior public use.<sup>21</sup>

It is not merely *ex parte* procedures and budgetary limitations which have resulted in the issuance of many patents which have been later declared invalid by the courts. This has become apparent when one considers those cases in which the courts, paying obeisance to the statutory requirement<sup>22</sup> that issuance is a *prima facie* proof of validity, have invalidated patents on the very same prior art references over which the Patent Office granted allowance.<sup>23</sup> The explanation must be that the courts are applying a standard of invention different from that employed by the Patent Office.

It is apparent from explicit statements in the cases that the standard of invention applied by the courts has changed over the years.<sup>24</sup> The standard

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application is in interference proceedings. Even then, no one may be sufficiently interested in any given patent application to resist its issuance. An interference is a contest between two applicants in the Patent Office for common subject matter. The only question is one of priority, not of patentability. Indeed, an interference is declared only after it has been determined that the claims contested describe patentable subject matter.

Rule 291 of the Patent Office provides: "The patent statutes do not provide for opposition to the grant of a patent on the part of the public. Protests to the grant of a patent are ordinarily merely acknowledged, and filed after being referred to the examiner having charge of the subject matter involved for his information."

<sup>18</sup> The Barbed Wire Patent, 143 U.S. 275 (1892).

<sup>19</sup> *Zachos v. Sherwin-Williams Co.*, 177 F.2d 762, 763 (C.A.5th, 1949).

<sup>20</sup> *Cowles Co. v. Frost-White Paper Mills*, 174 F.2d 868 (C.A.2d, 1949).

<sup>21</sup> *Whiteman v. Mathews*, 216 F.2d 712, 716 (C.A.9th, 1954); *King Gun Sight Co. v. Micro Sight Co.*, 218 F.2d 825, 826-27 (C.A.9th, 1955); *Cherry-Burrell Corp. v. Dairy & Creamery Equipment Co.*, 19 U.S.P.Q. 129, 130 (W.D. Mo., 1933), *aff'd* 75 F.2d 60, 62 (C.A.8th, 1934); *Borkland v. Pedersen*, 244 F.2d 501, 503 (C.A.7th, 1957).

<sup>22</sup> There is a statutory presumption of validity. 66 Stat. 812 (1952), 35 U.S.C.A. §282 (1954). The failure of the Patent Office to cite relevant prior art, according to some courts, diminishes or destroys that presumption. *Royal Patent Corp. v. Monarch Tool & Mfg. Co.*, 203 F.2d 299, 300 (C.A.6th, 1953); *Nordell v. International Filter Co.*, 119 F.2d 948 (C.A.7th, 1941). But cf. *Artmoore Co. v. Dayless Mfg. Co.*, 208 F.2d 1, 4 (C.A.7th, 1953), which holds that "it is as reasonable to conclude that a prior art patent not cited was considered and cast aside because not pertinent, as to conclude that it was inadvertently overlooked."

<sup>23</sup> *Wilson Athletic Goods Mfg. Co., Inc. v. Kennedy Sporting Goods Mfg. Co.*, 233 F.2d 280, 282 (C.A.2d, 1956): "It is true that the Patent Office had cited O'Hara as a prior art reference and notwithstanding found Turner's construction patentable. . . . We simply cannot agree. . . ." See also note 15 *supra*.

<sup>24</sup> Judge Sanborn concurring specially in *Briggs & Stratton Corp. v. Clinton Machine Co., Inc.*, 247 F.2d 397, 401 (C.A.8th, 1957): "However, as we have pointed out in a number of cases since the Supreme Court decided *Cuno Engineering Corp. v. Automatic Devices*

applied is avowedly more exacting. This new standard has been variously described as "severe,"<sup>25</sup> "exacting,"<sup>26</sup> or "rigorous."<sup>27</sup> In thus departing from an older standard, the courts have conceived themselves to be conforming to a mandate of the Supreme Court.<sup>28</sup> It has been argued that one purpose of the Patent Act of 1952 was to mitigate this "severe" standard of invention formulated by the Supreme Court,<sup>29</sup> and to revert to the putatively lower standard applied in former years. No less an authority than Judge Learned Hand subscribed to the theory when he clearly tried to provoke a Supreme Court review of the question in *Lyon v. Bausch & Lomb Co.*<sup>30</sup> Most Courts of Appeal, however,

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Corp., 314 U.S. 84, 62 S.Ct. 37, 86 L. Ed. 58, the amount of originality and ingenuity, over and beyond novelty and utility, which will constitute invention necessary to sustain a patent for a combination of old elements in a crowded art, has increased." Cf. *Murray-Ohio Mfg. Co. v. E. C. Brown Co.* 124 F.2d 426, 428 (C.A.6th, 1942); *Buono v. Yankee Maid Dress Corp.*, 77 F.2d 274, 276 (C.A.2d, 1935).

<sup>25</sup> *F. C. Russell Co. v. Comfort Equipment Corp.*, 194 F.2d 592, 595 (C.A.7th, 1952).

<sup>26</sup> *Kleinman v. Betty Dain Creations, Inc.*, 189 F.2d 546, 547 (C.A.2d, 1951).

<sup>27</sup> *McCord Corp. v. Beacon Auto Radiator Co.*, 193 F.2d 985, 988, 990 (C.A.1st, 1952).

<sup>28</sup> In the *Briggs & Stratton* case, note 24 *supra*, Judge Sanborn suggests that the more stringent standard dates from the *Cuno* case. Other courts more commonly cite *Great Atlantic & Pacific Tea Co. v. Supermarket Equipment Corp.*, 340 U.S. 147 (1950), as the origin. But in the 1955 Hearings at 120-21, Judge Learned Hand indicated that there had been an earlier storm warning:

"MR. CAPLAN: I wonder if you had any comment on that tendency [of the courts to invalidate patents] in the last 20 to 25 years?"

"JUDGE HAND: Yes. We have been pretty frank about that in the second circuit. . . . It was pretty well accepted, I think, that perhaps 20 or 30 years ago the Supreme Court had adopted a very much stiffer rule about what was invention. I think it began first with Justice Brandeis.

"It seems to me it was in the *Carbice* case [apparently *American Patents Development Corp. v. Carbice Corp. of America*, 38 F.2d 62 (C.A.2d, 1930), holding the patent in suit valid and infringed, reversed on misuse theory, 283 U.S. 27 (1931), and on invalidity, 283 U.S. 420, 421 (1931)]. Judge Swan wrote the opinion. I should think that was all of 20 years ago. It might be more. That was the first sign, as we understood, that we should watch our steps and be more severe about what was an invention.

"As it went on, we thought in the second circuit that that tendency was becoming more and more fixed and although I think, or a good many people thought before at that, we were much too easy about patents, however, after all we were there to take our orders as we understood them and we understood that we were to be very strict, very severe."

<sup>29</sup> See, Lutz, *The New Patent Statute: Congress Revitalizes the Patent System*, 39 A.B.A.J. 209 (1953); Goodman, *The Effect of Section 103 of the Patent Act of 1952 upon the Patent Laws*, 35 J. Pat. Off. Soc. 233 (1953); Cf. Federico, *Commentary on the New Patent Act*, 35 U.S.C.A., pp. 22-23.

<sup>30</sup> 224 F.2d 530, 535 (C.A.2d, 1955), cert. denied 350 U.S. 911 (1955). Judge Hand squarely posed the issue as to whether the 1952 Act lowered the standard of invention: "On the other hand, it must be owned that had the case come up for decision within twenty, or perhaps, twenty-five years before the Act of 1952 went into effect on January 1, 1953, it is almost certain that the claims would have been held invalid."

Judge Hand stated before the Committee at the 1955 Hearings at 120: "Now when the Congress passed the act, whether we were right in construing it as meaning that the old rules were to apply, remains to be seen. I hope the case will go up."

do not agree with the decision in the *Lyon* case,<sup>31</sup> but, instead, maintain that the 1952 Act was mere codification and hence did not lower the high standard of invention.

Whatever the effect of the 1952 Act, the Supreme Court's standard has not gone unchallenged. It has been adversely criticized by members of the patent bar, inventors and industrialists who have argued that the standard reflects a philosophic hostility towards patents on the part of the courts. Legal periodicals<sup>32</sup> have abounded with such criticism and protests rumbled throughout the 1955 hearings.<sup>33</sup> Indeed, it has been argued<sup>34</sup> that the Office, in issuing patents, has consciously rejected the Supreme Court's standard, an inference which has also been accepted by some courts.<sup>35</sup> In any event, it seems equally clear

<sup>31</sup> The late Judge Frank expressed "serious doubts about the correctness" of the ruling in the *Lyon* case. *Vermont Structural Slate Co. v. Tatko Brothers Slate Co.*, 233 F.2d 9, 11 (C.A.2d, 1956), and the same court held that "we have not definitely ruled on the question in this circuit" in *Zoomar, Inc. v. Paillard Products*, 258 F.2d 527, 530 (C.A.2d, 1958). The District Court in *Seismograph Service Corp. v. Offshore Raydist, Inc.*, 135 F.Supp. 342, 350-51 (E.D. La., 1955), order modified 119 U.S.P.Q. 146 (C.A.5th, 1958), declined to follow the *Lyon* case: "This standard of patentability is apparently an effort to state in statutory form what the Supreme Court has held in many cases. If it is an effort, as has been suggested, to reduce the standard of invention as recognized by the Supreme Court, then that effort must fail for the reason that the Supreme Court is the final authority on the constitutional standard of patentability."

*Blish, Mize and Silliman Hardware Co. v. Time Saver Tools, Inc.*, 236 F.2d 913, 915 (C.A.10th, 1956), allows that it "may well be that the Congress intended to roll back the philosophical standards of patentability" typified by *Cuno and A. & P.* See *Stanley Works v. Rockwell Mfg. Co.*, 203 F.2d 846, 849 (C.A.3rd, 1953); *General Motors Corp. v. Estate Stove Co.*, 203 F.2d 912, 915 (C.A.6th, 1953). See generally *Patents—The Changing Standard of Patentable Invention: Confusion Compounded*, 55 Mich. L. Rev. 985 (1957).

<sup>32</sup> E.g., Spielman, *Some Constitutional Aspects of the Patent Statutes*, 36 J. Pat. Off. Soc. 237, 243; Mann, *The Use of Intemperate Language in Patent Decisions*, 36 J. Pat. Off. Soc. 297 (1954), suggesting that some judicial rhetoric "may cloak a latent hostility toward the subject matter [patents] under consideration."

<sup>33</sup> 1955 Hearings at 9, 32, 47, 96, 104, 108-109, 138, 236, 243, 249, 259, 263, 300.

<sup>34</sup> See Frank, *The United States Supreme Court: 1948-49*, 17 U. of Chi. L. Rev. 1, 21 (1949).

<sup>35</sup> See *Hanson v. Safeway Stores*, 238 F.2d 336, 339 (C.A.9th, 1956); *Judge Dawson in Guide v. Desperak*, 144 F.Supp. 182, 186-87 (S.D.N.Y., 1956):

"Why patent claims in their present form were allowed by the Patent Office must remain a cause for wonderment. . . . It may be that it is because of this looseness in applying the standards of the Patent Code that the cynic now all too frequently can say: 'A patent is merely a license to bring a lawsuit.' This is a negation of the very principles of our Patent Law which presuppose that a patent is a solemn grant allowed by the government only after strict search and careful attention to the precise requirements of the Patent Code.

"However, cynics may have some justification when we consider how many patents granted by the Patent Office are invalidated when they reach the courts. A statistical study [by Mr. Federico, see note 4 supra] . . . would seem to indicate that the Patent Office continues to spawn patents with little regard for the standards laid down by the courts in interpreting the Patent Code. How long, it may be asked, would a title company survive if over 50% of all titles guaranteed by it were held defective when they reached a test in Court. How long could a lawyer expect to retain clients or receive professional acceptance if over 50% of all the opinions which he rendered were declared wrong when they reached the test of Court proceedings? And yet this, it appears, has been the record of the Patent Office. If so, it is



that the Patent Office has not enthusiastically accepted the standard of invention currently applied by the courts and that the courts have not upheld the majority of patents.<sup>36</sup>

An argument can be made to justify the issuance of patents which will ultimately be declared invalid by the courts. This argument rests on the conviction that innovators generally, as distinguished from inventors, should be rewarded for their contributions.<sup>37</sup> For those who make revolutionary contributions, patents are available, and the courts will sustain such patents where they are "pioneer" or where they otherwise meet the severe present day standards of invention. Still, smaller contributions are made; and while a patent may be an excessive reward for such small contributions, no other is readily available, except the initial advantage to the innovator who competes with those who may copy or adopt his invention. Often such a contribution consists only partially in the new device itself, and fully as much in the recognition of an economic need or market.<sup>38</sup> This recognition is often in itself a valuable contribution. The desideratum is that the public is given what it wants. For example, there are, no doubt, compelling reasons for the high standard of invention enforced in the *A & P* case.<sup>39</sup> Yet it cannot be denied, either from the record in that case, nor from any shopper's experience, that the sliding counter pusher, the patent for which was invalidated in that case, has speeded checking in supermarkets. The device satisfied a public demand, as its commercial success attested. Many other examples could be cited.<sup>40</sup> To sustain a patent may be to ignore a high standard of invention but the issuance of the patent may serve to reward valuable innovations which cannot be adequately rewarded otherwise.

The argument takes on greater force when one considers the unavailability of alternative forms of protection. Without patent protection, an innovator

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unfair both to those who are issued patents and those who bear the burden of defending infringement actions. It is equally unfair to the Courts."

In affirming, 249 F.2d 145, 148 (C.A.2d, 1957), the Court of Appeals expressly "disassociated" itself from these views: "... nor are statistical results in cases where the validity of patents is passed upon by the federal courts an equitable measure of efficiency. Necessarily those patents whose issuance is subject to doubt will be more frequently questioned in litigation." But see *Bergman v. Aluminum Lock Shingle Corp. of America*, 251 F.2d 801, 802 (C.A.9th, 1957).

<sup>36</sup> See note 4 supra.

<sup>37</sup> See Judge Holtzoff's opinion and cases cited in *Belt v. Hamilton Nat. Bank*, 108 F.Supp. 689 (D.D.C., 1952), aff'd 210 F.2d 706 (App.D.C., 1953).

<sup>38</sup> This consideration may have operated in *Brown v. Brock*, 240 F.2d 723 (C.A.4th, 1957), where the court sustained a patent on a weeping doll.

<sup>39</sup> *Great Atlantic & Pacific Tea Co. v. Supermarket Equipment Corp.*, 340 U.S. 147 (1950).

<sup>40</sup> See e.g., *Paoli v. Marshall Field & Co.*, 235 F.2d 407 (C.A.7th, 1956) (simple shrimp-cleaning device, held valid); *Crest-Specialty v. Trager*, 341 U.S. 912 (1951) (holding invalid the "piggyfeeder" patent).

can reap no rewards other than those available in open competition. Without patents, if he himself makes and sells his invention, it may be freely copied. If he tries to sell or license his invention, his very disclosure to a prospective vendee or licensee is hazardous. Since the invention is unprotected by patent, he must rely upon the fairness of the person to whom the disclosure is made or upon the very uncertain protection of the law of confidential disclosure. This common-law doctrine is lamentably uncertain, and proof under the doctrine is difficult.<sup>41</sup> As a result, many companies will not, as a matter of policy, accept submission of new ideas absent a patent; and most companies which do accept them, require a complete waiver beforehand. Since any alternative protection is so meager, it is quite likely that many patents are applied for, and granted, in an unconscious effort to do equity to inventors whose contributions, while not rising to the judicial standard of patentability, deserve some reward.

To this argument, however, there is the objection that the issuance of so many patents which cannot stand the test of adjudication in the courts imposes serious burdens on the business community. So long as the Patent Office issues many patents which the courts will not enforce, business is ever threatened with some patents "so clearly void that a mere reading thereof requires judicial declaration of invalidity as a matter of law"<sup>42</sup> and with others, while not so obviously invalid, too frail to survive litigation.

Even the weakest of patents, "vulgarly dubbed 'zombies' or 'scarecrows'"<sup>43</sup> offer a threat to potential defendants. Patent suits are notoriously expensive.<sup>44</sup> The services of patent counsel are costly, as are the services of experts whose talents are usually required in patent litigation. Laboratory facilities normally devoted to research must be occupied for tests and other activities related to the lawsuit. Particularly disruptive is the fact that valuable personnel, executive

<sup>41</sup> See Problems of Confidential Disclosures with Particular Reference to Large Corporations—Submitted Ideas, 1 P.T.C.J. Res. & Ed. 286 (1957).

<sup>42</sup> *Hansen v. Safeway Stores, Inc.*, 238 F.2d 336, 339 (C.A.9th, 1956).

<sup>43</sup> *Ibid.*; Judge Frank concurring in *Wabash Corp. v. Ross Electric Corp.*, 187 F.2d 577, 589 (C.A.2d, 1951).

<sup>44</sup> Professor Stedman has summed it up nicely:

"Patent litigation is notoriously expensive, complicated, cumbersome and slow. It is little satisfaction to an 'infringer' of an invalid patent to prove that he had a right to use the 'invention' if he has been ruined, or almost ruined, in the process of proving it. In these circumstances, a patent may constitute a powerful coercive weapon for a long period before the courts get around to taking the weapon away.

"The combination of these two deficiencies in our patent system, i.e., the existence of a large number of spurious patents and the practical difficulty of demonstrating their spuriousness, creates a situation that we cannot be complacent about. If issued patents were on the whole valid, cumbersome court proceedings for determining invalidity would not be too serious. Conversely, if court proceedings were simple, expeditious, and inexpensive, error in the issuance of patents could easily be corrected. But the situation, as it stands, is comparable to that of an oppressed people who can obtain no redress for their injuries." Stedman, *Invention and Public Policy*, 12 *Law & Contemp. Prob.* 649, 658 (1947).

See also Borkin, *The Patent Infringement Suit—Ordeal by Trial*, 17 *U. of Chi. L. Rev.* 634, 635-37 (1950).

and technical, suffer interruption of their customary productive work in order to allocate time and work to the lawsuit. There are, in addition, the costs of going to trial since the money saving expedient of summary judgment is rarely available.<sup>45</sup>

In short, the burden of a patent lawsuit itself can overwhelm a defendant quite as much as losing it. Mr. Allen B. DuMont, President of DuMont Television Corp., testified at the 1955 Hearings:<sup>46</sup>

The way the patent system works out in many cases—and I have not any suggestions for improving the thing—but it has happened that many times in the past the corporation with a large group of patents can put a smaller company out of business, not because he does not have good patents, but simply by suing him on the patent and losing the suits, but costing the particular company \$25,000 or \$50,000 to defend those suits. I know of cases specifically where that has happened. And I think it is pretty much of a general practice where if you have a large group of patents that may not apply to the particular companies, but they can enforce the patents, by costing the smaller companies money that they cannot afford in lawsuits.

That has been in my estimation one of the negative parts of the patent system. I do not know how you would get around it. It is something that is quite prevalent.<sup>47</sup>

Confronted with any patent lawsuit, the defendant is presented with several alternatives: He may discontinue production of the infringing item or use of the infringing process. In that event, his investment in developing his product or installing his process is sometimes lost and at best competition with the patentee or the patentee's licensees is diminished. He may be able to obtain a license, if the patentee will offer it to him.<sup>48</sup> Even so, the royalty must be added

<sup>45</sup> Professor Moore in his treatise speaks of the "uphill fight" to establish that Rule 56 is applicable to patent cases. 5 Moore, *Federal Practice* ¶56.17[44] (2d ed., 1953). See also *Van Brode Milling Co. v. Kravex Mfg. Co.*, 21 F.R.D. 246, 249 (E.D.N.Y., 1957), and cases there cited.

<sup>46</sup> 1955 Hearings at 101-2.

<sup>47</sup> Commissioner Watson was quick to disclaim responsibility for the situation on the part of the Patent Office:

"Well, I was simply going to volunteer the comment that the evil of which Mr. DuMont has spoken is without jurisdiction of the Patent Office. As I understand it, he refers to a large and wealthy corporation using perhaps unfairly a mass of patents as a threat to corporations of less accumulated capital, who cannot stand litigation. Perhaps, that is an evil which is not limited to patents. Perhaps there are other fields of litigation in which those corporations engage, and by reason of their financial strength, are able to dominate the situation and scare the smaller ones. I have heard of those instances but in any event, there is no right on the part of the Patent Office to refuse any patent to a corporation, large or small, provided the invention is of such character as to merit the issuance of the patent." 1955 Hearings at 102.

<sup>48</sup> The courts have acknowledged that patent licenses are often taken, not as tribute to the validity or worth of the patent, but as a cheaper alternative to litigation. Judge Hand observed in *Cleveland Trust Co. v. Osber & Reiss*, 109 F.2d 917, 922 (C.A.2d, 1940): "... it is often less troublesome to buy one's peace from a possessor of many patents, than to enter into a long-drawn and expensive litigation." Cf. *Firestone Tire & Rubber Co. v. U.S. Rubber Co.*, 79 F.2d 948, 954 (C.A.6th, 1935), cert. denied 298 U.S. 679 (1936); *Girdler Corp. v. Abbotts Dairies, Inc.*, 24 F.Supp. 551, 557 (E.D. Pa. 1938), aff'd 106 F.2d 998 (C.A.3rd, 1939); *United Specialties Co. v. Industrial Wire Cloth Products Corp.*, 186 F.2d 426, 429 (C.A.6th, 1951); *John E. Thropp's Sons Co. v. Seiberling*, 264 U.S. 320, 329-39 (1924).

to the price of his product; and his competitive position will be correspondingly impaired. He may also fight the lawsuit or settle the case by buying the patent asserted, if he has the money.

The manufacturer's problems are aggravated when the patent owner repeatedly accuses the manufacturer of infringement, publicizes his accusation, but does not file suit. The manufacturer may continue to sell, run the risk of accruing damages, and hope that the controversy does not intimidate his customers. He may also file suit for a declaratory judgment invalidating the patent or at least clearing his product of the infringement charge.

Before the enactment of the Declaratory Judgment Act,<sup>49</sup> the manufacturer was virtually helpless. Sometimes he could only stand by impotently while a patent owner repeatedly accused him of infringement, and while his customers, seeking profits instead of lawsuits, declined to take more of the accused goods. The manufacturer's only recourse was an action for unfair competition which was difficult to maintain, since it required proof of bad faith or malicious intent. Today if threats are made, the manufacturer may bring an action for declaratory judgment and settle the question.<sup>50</sup> However, what constitutes a "threat" which will constitute a justiciable controversy is a question which has vexed the courts for some time and is still not free from doubt.<sup>51</sup>

<sup>49</sup> 48 Stat. 955 (1934), as amended, 28 U.S.C.A. §§2201-2 (Supp. 1958).

<sup>50</sup> At first blush, it might appear either that the ability of the manufacturer to sue for a declaratory judgment would prevent harassment or that an indemnification agreement would completely reassure his customers. Practically, this is not the case. For one thing, the accused goods may be highly desirable, but the manufacturer's financial position might be such that his customers would not feel confidence in the indemnification agreement. Secondly, businessmen simply do not wish to become involved in a lawsuit. The manufacturer may well give pledges of indemnification in which his customers do have confidence, but reimbursement may not compensate the customer for time lost by executives or employees who may be called as witnesses nor for adverse publicity attending the lawsuit. Finally, and most importantly, even where the manufacturer sues for declaratory judgment, the lawsuit may not reach adjudication for many months; and during these months the manufacturer may sustain irreparable damage. Consider the case where bids are invited for a large construction contract, the patent owner and a competing manufacturer respond, and the patent owner alleges that the competitor's installation would infringe its patent. The buyer in such a case is likely to take the patent owner's bid, and the manufacturer will have lost valuable profits by the time the patent is adjudicated invalid or non-infringed. Mr. Borkin has pointed out that ". . . markets of a defendant in patent litigation may easily dry up and disappear or be diverted beyond recall during pendency." Borkin, *The Patent Infringement Suit—Ordeal by Trial*, 17 U. of Chi. L. Rev. 634, 641 (1950).

<sup>51</sup> Justiciable Controversy under the Federal Declaratory Judgment Act and the Exercise of Patent Rights, 22 Geo. Wash. L. Rev. 63 (1953). The earlier cases took a very restrictive view of the explicitness required to present a "justiciable controversy." The earlier view has been relaxed: *Remington Products Corp. v. American Aerovap*, 97 F.Supp. 644 (S.D.N.Y., 1951), *aff'd* 192 F.2d 872 (C.A.2d, 1951), held that a justiciable controversy existed even where dispute occurred before issuance of the patent, and *Welch v. Grindle*, 251 F.2d 671, 678 (C.A.9th, 1957), held: "The courts have repeatedly held that actual manufacture, use or sale is not essential and that it is sufficient that the party charged is about to infringe or to take some action which is prejudicial to the interests of the patentee." For an example of the difficulty prior to the Act, see *Electropure Sales Corp. v. Anglim*, 21 F.Supp. 451 (W.D.N.Y., 1937).

This problem of accusing a competitor is serious enough when the accusation is communicated to the manufacturer alone. But the manufacturer and his counsel can at least evaluate the patent owner's claim, and make his decision to honor or reject it. The problem, however, acquires another dimension when the patent owner publicizes his infringement claim to the trade and particularly to the customers of the accused manufacturer. It is with this problem that the remainder of the article will be concerned.

As soon as the infringement claim is announced to the trade, a cloud encumbers the product whether in the hands of the manufacturer or his customers. In effect, a lien is asserted against the goods. No matter how expressed, even the mildest of such notices poses the threat of a lawsuit. Direct threats of suits are not uncommon. Patent owners sometime circularize the trade with letters,<sup>52</sup> alleging certain articles to infringe and thus putting the trade on notice that anyone who sells the item will be liable. Less directly, the patent owner may publish a general notice in a trade journal<sup>53</sup> or at a trade show,<sup>54</sup> or his salesmen in their rounds may make accusations.

The effect upon customers is invariably detrimental to the manufacturer of the allegedly infringing item. The customer may discontinue all sales and liquidate or return his inventory. More commonly, the customer will demand an indemnity which guarantees to save the customer harmless from all damages and to defend against any lawsuit.<sup>55</sup> Large department stores and chain stores frequently demand such an indemnity clause in their contracts as a matter of course. In cases where the patent owner sues several customers so indemnified, such agreements can compel the manufacturer to defend all of them.

These threats against customers primarily have force because of the possibility that the patent owner may sue the customer before he sues the manufacturer. If this possibility did not exist, the customer would have the assurance that he could not be forced to bear the expense and inconvenience of suit and that he could not become liable at all unless the patent owner had first vindicated his claim against the person best able to defend.<sup>56</sup> Conceding these

<sup>52</sup> E.g., *Emack v. Kane*, 34 Fed. 46 (N.D.Ill., 1888) (circulars); *Hall v. Wright*, 125 F.Supp. 269 (S.D.Cal., 1954), aff'd 240 F.2d 787 (C.A.9th, 1957); *International Industries and Developments, Inc. v. Farbach*, 145 F.Supp. 34 (S.D.Ohio, 1956), aff'd 241 F.2d 246 (C.A.6th, 1957); *Kaplan v. Helenhart Novelty Corp.*, 182 F.2d 311 (C.A.2d, 1950).

<sup>53</sup> E.g., *Panay Horizontal Show Jar Co. v. Aridor Co.*, 292 Fed. 858 (C.A.7th, 1923) (semble); *Rhodes Pharmacal Corp. v. Dolcin Corp.*, 91 F.Supp. 87 (S.D.N.Y., 1950).

<sup>54</sup> E.g., *Robbins v. Ira M. Petersime & Son*, 51 F.2d 174, 178 (C.A.10th, 1931); *Tele-Sonic Pkg. Corp. v. Errich Int. Corp.*, 121 U.S.P.Q. 171, 177-178 (S.D.N.Y., 1959).

<sup>55</sup> See note 50 supra. Sometimes the patent owner will also declare in his publicity to the trade that the manufacturer will not so stand behind his product or is financially unable to. *United Kingdom Optical Co. v. American Optical Co.*, 68 F.2d 637 (C.A.1st, 1934).

<sup>56</sup> There is the possibility that a successful suit against a financially responsible manufacturer will preclude subsequent suits for damages against the manufacturer's customer. It has been held that a successful suit against a manufacturer precludes subsequent action against the manufacturer's customers *for use*, *Wagner Sign Service v. Midwest News Reel Theatres*,

various effects upon the manufacturer's business, and conceding that the manufacturer, as source of the infringing item, is the logical person against whom the patent owner's wrath should be directed,<sup>57</sup> it is reasonable to ask whether there are legitimate reasons for allowing an infringement action against a customer.

Several reasons have been advanced as to why the patent owner should be allowed to assert his claim against the trade. (1) The manufacturer may reside outside the United States, leaving only the customer within reach of the patent law. In such a case, the patent owner may not be able effectively to enforce his rights at all without suing the customer.<sup>58</sup> If the manufacturer wishes to join the contest, he may intervene. (2) The customer may be solvent and the manufacturer financially irresponsible. As a practical matter, this situation is unlikely to occur. In some cases, courts have enjoined suits against customers where the defendant manufacturer has been able to establish financial responsibility by posting a bond.<sup>59</sup> (3) The customer may be reached in a venue more convenient to the patent owner. While there is an ancient presumption in favor of the plaintiff's right to select venue, this right is not absolute but must be balanced against inconvenience to the defendant.<sup>60</sup> (4) The customer may be reached in a venue in which a patent owner feels the courts to be more charitable toward patents.<sup>61</sup> Some circuits in fact do seem to be more

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119 F.2d 929 (C.A.7th, 1941). In *Dowagiac Mfg. Co. v. Deere & Webber Co.*, 284 Fed. 331 (C.A.8th, 1922), the court allowed a subsequent action against a customer for resale. It is possible to argue that §284 of the Patent Act, 66 Stat. 813 (1952), 35 U.S.C.A. §284 (1954), now dictates a contrary result. See generally, *Union Tool Co. v. Wilson*, 259 U.S. 107, 113 (1922); *Goodyear Tire & Rubber Co. v. Overman Cushion Tire Co.*, 95 F.2d 978 (C.A.6th, 1937).

<sup>57</sup> See *Maytag Co. v. Meadow Mfg. Co.*, 35 F.2d 403 (C.A.7th, 1929).

<sup>58</sup> It is clear, however, that the patent owner has sufficient protection against the foreign manufacturer even if suit against the domestic customer is not permitted. Under Section 337 of the Tariff Act of 1930, 46 Stat. 703, 19 U.S.C.A. 1337(a), (e) (1937), the President has power to exclude from entry articles whose importation would result in unfair competition. The President's action is to be based on an *ex parte* investigation by the Tariff Commission, whose findings may be appealed to the Court of Customs and Patent Appeals. 19 U.S.C.A. 1337(c) (1937). The phrase "unfair competition" was early held to justify exclusion of imports infringing an American patent. In *re Northern Pigment Co.*, 71 F.2d 447, 455 (C.C.P.A., 1937). In 1940 Congress extended Section 337 protection to process patents. 54 Stat. 724, 19 U.S.C.A. 1337(a) (Supp., 1959). Since the issue of the validity of a duly-issued patent has been held to be outside the scope of the appeal to the Court of Customs and Patent Appeals (See *In re Von Clemm*, 229 F.2d 441, 444 [C.C.P.A., 1955]), the patent owner's position is stronger than it would have been had the infringer been within the reach of the patent laws.

<sup>59</sup> *Bechik Products, Inc. v. Flexible Products, Inc.*, 225 F.2d 603 (C.A.2d, 1955). See also note 56 *supra*.

<sup>60</sup> Courts have repeatedly made this clear in motions to transfer under 28 U.S.C.A. §1404.

<sup>61</sup> There may be something to this: Mr. Federico's tables, note 4 *supra*, show that in the period 1948-54, of the patents litigated in the Fourth Circuit Court of Appeals, 37% were held valid and infringed; in the Fifth, 36.7%; in the Second, 2.6%; and in the Third, 7.5%. But box scores on judicial decisions are of questionable value. Who can deny authoritatively that only "weak" patents appeared before the Second and Third Circuit Court of Appeals and "strong" patents in the Fourth and Fifth?

favorable to patents in comparison with other circuits, but this is too doubtful a premise for argument, and there is no more reason why the patent owner should be entitled to a favorable judiciary than the defendant. (5) The patent owner may wish to move against the customer whose interest is slight in comparison with that of the manufacturer and who is therefore likely to contest the suit less vigorously, if at all. Having fortified his patent with the judgment thus obtained, the patent owner may then move on against other customers or ultimately against the manufacturer himself. It is doubtful whether this technique will be successful.<sup>62</sup> In any event, since a patent confers monopoly rights, it is reasonable to argue that as a matter of policy the law should seek to provide the strongest possible contest rather than token or no resistance.<sup>63</sup> (6) Finally, the patent owner may wish to intimidate the trade, to scare customers away from dealing in the accused product, and thus to achieve a competitive advantage. This is the "business aggression" of which the TNEC disapproved. The courts know of the abuse and have moved cautiously against it within the constraints of traditional conception of unfair competition.

The degree to which courts have succeeded in this endeavor is, however, open to question. The simplicity and directness of the legislative solution proposed by the TNEC requires a detailed analysis of the judicial efforts to control this abuse.

Undoubtedly, *Emack v. Kane*<sup>64</sup> is the leading and fountainhead case acknowledging as an abuse the use of patents merely to threaten litigation. Emack and Kane manufactured and sold noiseless slates used by school children. Kane widely circulated the trade, accusing Emack's slates of infringement and brought three infringement suits against Emack's customers. In each of the three suits Emack assumed the defense and Kane thereupon voluntarily dismissed. Emack then brought his bill to restrain Kane from sending out accusing circulars, and the injunction was granted.

Judge Blodgett knew he was dealing with an uncommon cause of action. He acknowledged the necessity of distinguishing earlier authorities forbidding an injunction or "prior restraint" against slander.<sup>65</sup> This he accomplished by

<sup>62</sup> A holding of validity and infringement against one defendant is not *res adjudicata* against another, but it is persuasive, *Priebe & Sons Co. v. Hunt*, 188 F.2d 880, 882 (C.A.8th, 1951), although apparently not persuasive on issues not contested in the previous case, *American Engineering Co. v. Stoker Castings & Service, Inc.*, 44 F. Supp. 96 (D.Mass., 1942). But cf. *Gordon Johnson Co. v. Hunt*, 96 U.S.P.Q. 92, 93-4 (N.D. Ohio, 1952).

<sup>63</sup> Consider Borkin's argument that while economic inequality is a condition of nearly all litigation and so recognized by lawyers, such inequality is of grave concern in patent litigation because a patent suit is "predominantly a problem in public interest." Borkin, *The Patent Infringement Suit—Ordeal by Trial*, 17 U. of Chi. L. Rev. 634, 635 (1950).

<sup>64</sup> *Emack v. Kane*, 34 Fed. 46 (N.D.Ill., 1888).

<sup>65</sup> The courts have also distinguished this rule in commercial disparagement cases. See Wolf, *Unfair Competition by Truthful Disparagement*, 47 Yale L. J. 1304, 1035-6 (1938). One of the leading cases for the old rule is *Marlin Fire Arms Co. v. Shields*, 171 N.Y. 384, 64 N.E. 163 (1902).

drawing a distinction between "mere personal slander or libel" and injury to property:

It shocks my sense of justice to say that a court of equity cannot restrain systematic and methodical outrages like this, by one man upon another's *property* rights. . . . Redress for a mere personal slander or libel may perhaps properly be left to the courts of law, because no falsehood, however gross and malicious, can wholly destroy a man's reputation with those who know him; but statements and charges intended to frighten away a man's customers, and intimidate them from dealing with him, may wholly break up and ruin him financially, with no adequate remedy if a court of equity cannot afford protection by its restraining writ.<sup>66</sup>

Judge Blodgett did not explain the "property rights" which he enforced. Perhaps he meant the property in the good will of a going business.<sup>67</sup> But Judge Blodgett was apparently not embarrassed by theoretical difficulties. The rhetoric of his opinion reveals a sense of outrage and he translated his outrage into judicial legislation.

The case can be read as formulating a theory of trade slander or libel; but theory aside, Judge Blodgett saw clearly the effect of a business practice which he thought reprehensible:

No businessman wants to incur the dangers of a lawsuit for the profits which he may make as a jobber in handling goods charged to be an infringement of another man's patent. The inclination of most business men is to avoid litigation, and to forego even certain profits, if threatened with a lawsuit which would be embarrassing and vexatious, and might mulct them in damages far beyond their profits; and hence such persons, although having full faith in a man's integrity, and in the merit of his goods, would naturally avoid dealing with him for fear of possibly becoming involved in the threatened litigation. . . . Instead of going to the courts to test the validity of the Butler patent, or the right of complainant to make the kind of slates he was putting upon the market, the defendant, in a bullying and menacing style, asserts to the trade by these circulars that complainant is infringing the Goodrich patent, and threatens all who deal in complainant's slates with lawsuits, and all the perils and vexations which attend upon a patent suit. The average business man undoubtedly dreads, and avoids, if he can, a lawsuit of any kind, but a suit for infringement of a patent is so far outside of the common man's experience that he is terrorized by even a threat of such a suit.<sup>68</sup>

<sup>66</sup> *Emack v. Kane*, 34 Fed. 46, 50-51 (N.D.Ill., 1888).

<sup>67</sup> Clearly the theory of Judge Kennamer in *Dehydro, Inc. v. Tretolite Co.*, 53 F.2d 273 (N.D.Okla., 1931): "It is a well-established rule, in the absence of statutory authority, that courts are without jurisdiction to enjoin a libel or slander. . . . I cannot agree with the contention that this is an action to enjoin a libel or slander. The gravamen of the action here is to enjoin the defendant from committing acts constituting unfair competition, and from destroying the business of the complainant. An established business, with the good will thereof, constitutes, property, the owner of which may invoke the aid of a court of equity to prevent its unlawful and wrongful destruction, where the legal remedy is inadequate to redress the wrong."

<sup>68</sup> *Emack v. Kane*, 34 Fed. 46, 51-52 (N.D.Ill., 1888).



Judge Blodgett's decision clearly turns on a finding of bad faith and that may evidently be equated with malice. Significantly, Judge Blodgett found it unnecessary to consider whether the patent was valid or invalid. And since the *Emack* case, bad faith has been an indispensable element for relief in such cases.<sup>69</sup>

But to make bad faith the criterion is of little help. Barring some incredibly improbable admission against interest or an unlikely disclosure during discovery, a patent owner will seldom be convicted of bad faith from his own mouth. As in any other proof of intent, the courts must nearly always look to circumstantial evidence. The courts have conceded as much, e.g., in *Adriance, Platt & Co., v. National Harrow Co.*<sup>70</sup>

The question of whether the patent owner is acting in good faith in advertising his claims to the manufacturer's customers by circulars or letters can seldom be determined from the contents of the communication alone, and, like all questions of intent, must generally be determined by the extrinsic facts. It is always easy to frame such circulars in guarded terms, which will not commit the sender to any definite libelous charges, omitting specific statements of fact, and substituting statements of opinion; and when they are sent for an illegitimate purpose they are likely to be so framed.

As one might expect, courts have avoided formulating any comprehensive test or set of tests. But some kinds of incriminating evidence have been mentioned frequently enough that some objective guides, at least, can be inferred. Judge Blodgett in the *Emack* case was impressed by the fact that the patent owner did not sue, but continued to threaten the trade. This is a clear-cut criterion.<sup>71</sup> It was applied in the *Adriance* case:

As, ordinarily, the patent owner would be prompt and zealous to assert his claims, if he halts and purposely procrastinates, and attempts to effect by threats and manifestoes that which he can compel by the strong hand of the law, a strong inference arises that he has not any real confidence in his pretensions. This inference becomes irresistible if he refuses to bring suit during a considerable period of time when the alleged infringement is open, notorious and defiant, and so extensive as to threaten destruction of his alleged exclusive rights.<sup>72</sup>

<sup>69</sup> *A. B. Farquhar Co. Ltd. v. National Harrow Co.*, 102 Fed. 714 (C.A.3rd, 1900); *Chandler v. Cutler-Hammer, Inc.*, 135 F.2d 885 (C.A.7th, 1943); *Cheney Co. v. Cunningham*, 37 F.Supp. 224 (W.D. Pa., 1941), aff'd 127 F.2d 294 (C.A.3rd, 1942); *Coats Loaders & Stackers, Inc. v. Henderson*, 233 F.2d 915 (C.A.6th, 1956); *Stephens Products Co. v. Fillum Fun, Inc.*, 99 F.Supp. 649 (E.D.N.Y., 1951); *United States Galvanizing & Plating Equipment Corp. v. Hanson-Van Winkle-Munning Co.*, 104 F.2d 857 (C.A.4th, 1949).

<sup>70</sup> 121 Fed. 827, 830 (C.A.2d, 1903).

<sup>71</sup> *Kaplan v. Helenhart Novelty Corp.*, 182 F.2d 311, 314 (C.A.2d, 1950), suggests that delay in bringing suit is not alone sufficient to establish bad faith, but most be "coupled with other evidence indicating a lack of honest belief in the legal rights asserted." Cf. *Salem Engineering Co. v. National Supply Co.*, 75 F.Supp. 993, 1001 (W.D.Pa., 1948); *Coats Loaders & Stackers, Inc. v. Henderson*, 223 F.2d 915 (C.A.6th, 1956), holds that prompt filing of suit after notices is affirmative evidence of good faith. Cf. *Celite Corp. v. Dicalite Corp.*, 96 F.2d 242 (C.A.9th, 1938) (a publicity campaign together with delay in filing suit makes the inference of bad faith "inescapable").

<sup>72</sup> *Adriance, Platt & Co. v. National Harrow Co.*, 121 Fed. 827, 830 (C.A.2d, 1903).

But this criterion has become virtually obsolete since the enactment of the Declaratory Judgment Act.<sup>73</sup>

Courts have also inferred bad faith where the patent owner has asserted an unjustifiedly broad construction of his patent claims. But in the abstract such an inference is difficult to justify. The interpretation of patent claims requires a highly sophisticated and technical professional judgment.<sup>74</sup> It is not enough to read the claim and compare the device: The face value of the words may be changed as interpreted in light of the specification of the patent, prior art, and the file wrapper.

It is difficult to object to the inference of bad faith in those rare situations where accusations of infringement are made against those who do not make, sell, or use in any form the invention as claimed, and the courts will not countenance such accusations. For example, the plaintiff in *American Ball Co. v. Federal Cartridge Corp.*<sup>75</sup> owned a patent which covered the machines used in manufacturing steel shot for air rifles. Notwithstanding, he sent notices to defendant's customers, who purchased only the shot itself. The court acknowledged infringement notices to be commendable in proper cases, but went on to say:

We think it clear that any dealer in such shot receiving this letter would naturally conclude therefrom that appellant intended to proceed or might proceed against him for sale by him of the shot purchased from appellee company if the patentees were successful in its litigation against appellees. At the very least, he would be left in doubt as to such being the intention of the appellant. . . . To place them under any justified apprehension of litigation was going much beyond what appellant was entitled to go in protection of its rights. Appellant would have been entitled to inform these recipients that it had filed suit against appellees and expected to prevent the sale of shot by them and that, if this happened, the dealer would be deprived of this source of supply and might be embarrassed thereby.<sup>76</sup>

The rule of the *American Ball* case is relatively easy to apply; allowing for the special jargon of patent claims, not even a layman could mistake a claim covering only a machine to cover also the product of that machine. But it is far less justifiable to infer bad faith where, despite the vagaries of patent claim interpretation, a patent owner has merely asserted that a patent claim is broader than the court *in its interpretation*<sup>77</sup> finds it to be.

<sup>73</sup> See note 50 supra.

<sup>74</sup> See note 12 supra.

<sup>75</sup> 70 F.2d 579 (C.A.8th, 1934).

<sup>76</sup> Id., at 582. Accord: *Hall v. Wright*, 125 F.Supp. 269 (S.D.Cal., 1954), aff'd 240 F.2d 787 (C.A.9th, 1957); *Metro-Goldwin-Mayer v. Fear*, 104 F.2d 892 (C.A.9th, 1939).

<sup>77</sup> *Panay Horizontal Show Jar Co. v. Aridor Co.*, 292 Fed. 858 (C.A.7th, 1923); *Rhodes Pharmacal Co. v. Dolcin Corp.*, 91 F.Supp. 87 (S.D.N.Y., 1950). Cf. *Shingle Product Patents, Inc. v. Gleason*, 211 F.2d 437 (C.A.9th, 1954). Analogous are cases where courts find that while the patent owner has obtained a valid decree against one defendant, he has wrongfully misrepresented the scope of the decree to others. *Art Metal Works, Inc. v. Abraham & Straus, Inc.*, 62 F.2d 79 (C.A.2d, 1932); *Gerosa v. Apco Mfg. Co.*, 299 Fed. 19 (C.A.1st,

Here then is the second criterion: Did the patentee in threatening litigation assert an unjustifiedly broad scope for his patents? In cases like *American Ball*, the rule is useful; but in cases where the scope is clearly in doubt until after adjudication, the rule must necessarily be applied with great caution simply because the interpretation of claims requires highly professional subjective judgment.<sup>78</sup>

The third criterion is whether the patentee has actually studied the accused product or process to determine whether there is infringement. This objective test was applied recently in *International Industries and Developments, Inc. v. Farbach Chemical Co.*<sup>79</sup> The plaintiff owned a patent on a dip-type liquid silver cleaner. Without notice to defendant who manufactured such a cleaner, plaintiff mailed 8,000 letters to the trade stating that defendant's product was not licensed; that any persons selling such unlicensed silver cleaners did so at their peril; and that infringers would be prosecuted. The trial court found that although defendant's cleaner was readily susceptible of chemical analysis, plaintiff had made none. This, together with plaintiff's failure to introduce evidence at trial to support charges of infringement, constituted unfair competition, and cost plaintiff \$100,000 in damages and \$15,000 in attorney's fees.

*Kobe, Inc. v. Dempsey Pump Co.*<sup>80</sup> also falls within this test. This case involved a counterclaim for violation of the Sherman Act. The defendant alleged,

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1924); *Price-Hollister Co. v. Warford Corp.*, 18 F.2d 129 (S.D.N.Y., 1926); *Rollman Mfg. Co. v. Universal Hardware Works*, 238 Fed. 568 (C.A.3rd, 1916); *United Kingdom Optical Co. v. American Optical Co.*, 68 F.2d 637 (C.A.1st, 1934). Even in such cases, bad faith must be proved. *National Metal Molding Co. v. Tubular Woven Fabric Co.*, 236 Fed. 745 (C.A.1st, 1916); *General Talking Pictures Corp. v. Stanley Co. of America*, 42 F.2d 904 (D.Del., 1930). Even so, such misrepresentations will sometimes not be restrained, even through they are "extravagant," *Hobbs Mfg. Co. v. Gooding*, 113 Fed. 615 (C.A.1st, 1902), or relate to "trivial" matters, *Gillman v. Stern*, 114 F.2d 28 (C.A.2d, 1940), cert. denied 311 U.S. 718 (1941). See also *A.B. Farquhar Co., Ltd. v. National Harrow Co.*, 102 Fed. 714 (C.A.3rd, 1900) (false statements that defendant's patents have been sustained in adjudicated cases); *Adjusta Co. v. Alma Mfg. Co.*, 36 F.2d 105 (S.D.N.Y., 1929) (false implication that patent case had been decided on merits, but had been decided only on jurisdictional issues).

<sup>78</sup> Cf. *Circle S Products Co. v. Powell Products, Inc.*, 174 F.2d 562 (C.A.7th, 1949) (unfair competition because of infringement notices issued before patent issued.) See also note 12 supra. Accordingly, a patentee in advance of adjudication is not "bound to know" that his patent is invalid over the prior art. *Oil Conservation Engineering Co. v. Brooks Engineering Co.*, 52 F.2d 783, 786 (C.A.6th, 1931). Cf. *Stadium Mfg. Co., Inc. v. Plymouth Pajama Corp.*, 24 F.Supp. 779 (D.Mass., 1937), and Judge Kohlsaat's opinion in *Racine Paper Goods Co. v. Dittgen*, 171 Fed. 631, 635 (C.A.7th, 1909): "Even though there had been infringement, the exasperating delay to make its character known would be persuasive evidence of malice. If there was no infringement, the maliciousness would be undoubted."

The Dittgen case was disapproved in the Oil Conservation case. See also *Atlas Underwear Co. v. Cooper Underwear Co.*, 210 Fed. 347 (E.D.Wis., 1913) (defendant was restrained from falsely representing, inter alia, that his patent on union suits was "pioneer"), and *Kobre v. Photoral Corp.*, 100 F.Supp. 56, 59 (S.D.N.Y., 1951) (attempt to impress trade "with a far broader patent that Photoral actually had.")

<sup>79</sup> 145 F.Supp. 34 (S.D. Ohio, 1956), aff'd 241 F.2d 246 (C.A.6th, 1957).

<sup>80</sup> 198 F.2d 416 (C.A.10th, 1952), cert. denied 344 U.S. 837 (1952).

*inter alia*, that the plaintiffs conspired to pool the controlling patents covering hydraulic oil well pumps. When its competitor appeared with a new pump plaintiffs filed suit although they "had no concrete information that the Dempsey pump infringed any of Kobe's patents. Drawings or models of it had never been examined by or been in Kobe's possession." Accordingly, the court found that the plaintiff's assertions of patent rights to the trade were made in bad faith, and defendant prevailed.<sup>81</sup>

From these cases if is difficult to escape the conclusion that as long as bad faith is an essential element of proof, business aggression can be controlled through private remedies only in a very limited number of cases. Moreover, under present law, there are two additional obstacles to effective control: (1) difficulty in proving damages for injury previously incurred, and (2) judicial timidity resulting from lack of an adequate legal theory to cover the wrong.

Once it is determined that a patent owner has engaged in business aggression, a federal court has sufficient remedial powers to restrain such conduct in the future. A variety of remedies are available.<sup>82</sup> However, patent litigation

<sup>81</sup> *United States v. Besser Mfg. Co.*, 96 F.Supp. 304, 312 (E.D.Mich., 1951), *aff'd* 343 U.S. 444 (1952), presented a similar question in the context of a criminal prosecution.

<sup>82</sup> The courts have denied relief to a patent owner on the theory of unclean hands where the patent owner has threatened to sue or sued in bad faith. *Art Metal Works, Inc. v. Abraham & Strauss, Inc.*, 62 F.2d 79 (C.A.2d, 1932); *Hall v. Wright*, 125 F.Supp. 269 (S.D.Cal., 1954), *aff'd* 240 F.2d 787 (C.A.9th, 1957); *Panay Horizontal Show Jar Co. v. Aridor Co.*, 292 Fed. 858 (C.A.7th, 1923); *Rollman Mfg. Co. v. Universal Hardware Works*, 238 Fed. 568 (C.A.3rd, 1916); *Salem Engineering Co. v. National Supply Co.*, 75 F.Supp. 993 (W.D.Pa., 1948); *Powell v. Pratt Chuck*, 24 F.2d 255 (N.D.N.Y., 1927) (Defendant had infringed, but changed to non-infringing structure. Accounting denied because of plaintiff's "unethical conduct" in sending out letters alleging infringement and threatening lawsuit.)

The courts may also enjoin the patent owner's further harassment of the trade. *Adriance, Platt & Co. v. National Harrow Co.*, 121 Fed. 827 (C.A.2d, 1903) (restraining publication of circulars and letters, or threatens customers of lawsuit); *Everybody's Tool & Die Works, Inc. v. Costa*, 9 F.Supp. 440 (E.D.N.Y., 1934) (notices to trade permitted but only with copy of patent and full title of case); *Gardner Sign Co. v. Claude Neon Lights, Inc.*, 36 F.2d 827 (W.D.Pa., 1929) (restraining further letters and circulars, requiring plaintiff to send copy of injunction to all persons to whom original circulars sent, and publishing decree in newspapers.); *Metro-Goldwyn-Mayer v. Fear*, 104 F.2d 892 (C.A.9th, 1939); *Price-Hollister Co. v. Warford Corp.*, 18 F.2d 129 (S.D.N.Y., 1926) (restraining letters and circulars respecting suits filed or to be filed, ordering copy of injunction mailed to "various persons in the trade who may be affected thereby"); *Remington Products Corp. v. American Aerovap*, 97 F.Supp. 644 (S.D.N.Y., 1951), *aff'd* 192 F.2d 872 (C.A.2d, 1951) (enjoined pending trial from "publishing, advertising or otherwise disseminating in any manner any statements to the effect that the Remington vaporizer is not reliable or is unsafe"); *Thomas French & Sons, Ltd. v. Carleton Venetian Blind Co.*, 34 F.Supp. 850 (E.D.N.Y., 1940) (restraining "circulars and all forms of communications . . . on the subject of these litigations"); *Milburne Mills v. Meister*, 37 F.Supp. 231 (S.D.N.Y., 1940) (advertising that defendant infringed plaintiff's design patent restrained, but defendant also restrained from advertising that plaintiff's patent invalid). Cf. *Lovell-McConnell Mfg. Co. v. Automobile Supply Mfg. Co.*, 193 Fed. 658 (E.D.N.Y., 1911).

The courts may enjoin additional lawsuits against customers pending the outcome of an initial lawsuit. *Remington Products Corp. v. American Aerovap*, 97 F.Supp. 644 (S.D.N.Y., 1951), *aff'd* 192 F.2d 872 (C.A.2d, 1951). For this relief, proof of bad faith is not necessary. *Triangle Conduit & Cable Co., Inc. v. National Electric Products Corp.*, 125 F.2d 1008

is protracted; and in the considerable period of time between the initial acts of business aggression and final adjudication, the accused manufacturer has continued to sustain injury.<sup>83</sup> While courts will sometimes grant damages<sup>84</sup> upon facts which support an injunction, aside from occasional allowance of attorney's fees<sup>85</sup> the manufacturer's ability to obtain redress is most uncertain. There are few reported cases on accounting in such situations. Apparently the applicable rule is that one may be allowed damages on sales lost which would have been made but for the interference by the patent owner in threatening the trade or potential customers.<sup>86</sup> In cases involving heavy industrial machinery such as printing presses, rolling mills, or aeration systems for purification of sewage, where each loss represents a substantial sum, this rule of damages is feasible. But in cases of fungible, mass-produced, high-volume merchandise, it is often impossible to find the potential customers who did not buy and then to prove that these customers did not buy because of the patent owner's harassment.

As important as the problem of damages is, it is no more important than the reluctance of the courts to take any action at all. In part this reluctance

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(C.A.3rd, 1942). But cf. *Arkay Infants Wear v. Kline's, Inc.*, 98 F.Supp. 862 (W.D.Mo., 1950): "Only in rare circumstances should a patent holder be compelled to stand aside in one court until he litigates the validity of his patent in some other court, even though he has several such actions presently pending against the various direct infringers or dealers." See also *Dorr Co., Inc. v. Poplar Grove Planting & Refining Co., Inc.*, 32 F.Supp. 193 (E.D.La., 1940).

The courts may restrain further suits and accusations of infringement once the accused manufacturer's product is cleared of the infringement charge. *Kessler v. Eldred*, 206 U.S. 285 (1907); *Vermont Structural Slate Co., Inc. v. Tatko Bros. Slate Co., Inc.*, 253 F.2d 29 (C.A.2d, 1958).

<sup>83</sup> See note 50 supra.

<sup>84</sup> *Robbins v. Ira M. Petersime & Son*, 51 F.2d 174, 178 (C.A.10th, 1931); *Ferrocort Corporation of America v. Johnson Laboratories, Inc.*, 50 F.Supp. 151 (N.D.Ill., 1943); *Adriance, Platt & Co. v. National Harrow Co.*, 121 Fed. 827 (C.A.2d, 1903); *International Industries and Developments, Inc. v. Farbach Chemical Co.*, 145 F.Supp. 34 (S.D.Ohio, 1956), aff'd 241 F.2d 246 (1957); *Gerosa v. Apco Mfg. Co.*, 299 Fed. 19 (C.A.1st, 1924). None of these cases gives the theory on which damages should be awarded. *Landstrom v. Thrope*, 189 F.2d 40 (C.A.8th, 1951), an analogous trademark case, places upon the aggrieved party the heavy burden of proving the loss of particular customers, general loss of business, and direct causation. The unreported judgment decree in the *Ferrocort* case shows that \$46,511.72 was awarded as damages, but the theory of damages is not apparent.

<sup>85</sup> 66 Stat. 813 (1952), 35 U.S.C.A. §285 (1954), provides that "[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party." This has been interpreted as permitting awards against the patent owner as well as the accused infringer. See *International Industries and Developments, Inc. v. Farbach Chemical Co.*, 145 F.Supp. 34 (S.D.Ohio, 1956), aff'd 241 F.2d 246 (C.A.6th, 1957); *Shingle Product Patent, Inc. v. Gleason*, 211 F.2d 437 (C.A.9th, 1954). In *Pennsylvania Crusher Co. v. Bethlehem Steel Co.*, 193 F.2d 445 (C.A.3rd, 1951), the court acknowledged that the legislative history of the section showed that "[t]he provision was designed to prevent a gross injustice to an alleged *infringer*," but disallowed attorney's fees because the District Court had made "no findings setting forth the reason for the award." *Id.*, at 451.

<sup>86</sup> See note 85 supra. See also *Trade Disparagement and the "Special Damage"* Quagmire, 18 U. of Chi. L. Rev. 114 (1950).

stems from a conviction that patent owners should have wide latitude in giving *bona fide* notices of infringement,<sup>87</sup> but also it is due to the fact that the wrong does not fit comfortably into any traditional classification of torts. In acting against business aggression by patent, courts have rummaged among a wide variety of legal theories.<sup>88</sup> This confusion as to a respectable legal theory often prompts courts to deal with each case empirically, avoiding discussion of theory, to enter orders without opinion, or to classify the wrong within the amorphous body of law known as unfair competition. Under these circumstances, not only is predictability at a minimum, but there is the danger that some judges, either from a conservative disposition or from a fear of reversal, will abstain from action altogether.<sup>89</sup>

The TNEC recommended legislation abolishing the patent owner's opportunity to bring infringement action against customers prior to an action against the manufacturer.<sup>90</sup> A present solution is obviously to be preferred over

<sup>87</sup> While the emphasis in this discussion has been on the patent owner's wrongdoing, Judge Learned Hand has in *Gillman v. Stein*, 114 F.2d 28, 32 (C.A.2d, 1940), excoriated infringers who seek to evade liability because of minor defects in the patent-owner's notices to the trade: "Particularly in actions on patents it has become the favorite gambit of infringers; they pick over the patentee's advertisements—often, it is true, not drawn with scupulous nicety, as advertisements seldom are—and find, as they frequently can, departures from the untarnished truth. These ought not to give them their escape. No doubt it would be desirable to repress the exuberance of over-statement by which so much of our marketing is done, and there are tribunals charged with that duty; but we are not disposed to give the initiative to those who are themselves preying upon the delinquents, at least so long as the delinquency is confined to such trifling misconduct as was shown in this case."

And courts have repeatedly affirmed that to give reasonable notices is the right of the patentee. *Virtue v. Creamery Package Co.*, 227 U.S. 8 (1913). It has been held that once a patent has been held valid, a patent owner is "strictly within his rights" to charge customers with infringement. *Northwest Engineering Corp. v. Keystone Driller Corp.*, 70 F.2d 13, 19 (C.A.7th, 1934), *aff'd* 294 U.S. 42 (1935).

<sup>88</sup> Some courts seem to consider the wrong, as one of defamation. *Emack v. Kane*, 34 Fed. 46 (N.D.Ill., 1888); *Robbins v. Ira M. Petersime & Son*, 51 F.2d 174, 178 (C.A.10th, 1931); *Adriance, Platt & Co. v. National Harrow Co.*, 121 Fed. 827 (C.A.2d, 1903); *Metro-Goldwyn-Mayer v. Fear*, 104 F.2d 892, 899 (C.A.9th, 1939) (trade libel); *Oil Conservation Engineering Co. v. Brooks & Co.*, 52 F.2d 783, 785 (C.A.6th, 1931) ("... in the nature of libels or slander of title; possibly they are analogous to a cloud upon the competitor's title to his business and to his output"). Other tort theories have been suggested: *Virtue v. Creamery Package Co.*, 227 U.S. 8 (1913) (malicious prosecution); *Panay Horizontal Show Jar Co. v. Aridor Co.*, 292 Fed. 858 (C.A.7th, 1923) (abuse of process); *Electropure Sales Corp. v. Anglim*, 21 F.Supp. 451 (W.D.N.Y., 1937) (tortious interference with contract); *Beh & Co. v. Bedal*, 36 U.S.P.Q. 136, 139 (N.D. Ohio, 1937) (defendant's "conduct can probably be better called interference with plaintiff's business than unfair competition..."). See also *Law of Commercial Disparagement: Business Defamation's Impotent Ally*, 63 *Yale L. J.* 65, 74, 86 (1953); *The Enforcement of Rights Against Patent Infringers*, 72 *Harv. L. Rev.* 328, 353 (1958); and *Kemart Corp. v. Printing Arts Research Laboratories, Inc.*, 146 F.Supp. 21 (S.D. Cal., 1956).

<sup>89</sup> See *Shingle Product Patents, Inc. v. Gleason*, 211 F.2d 437 (C.A.9th, 1954), where the District Court refused to sustain the counter-claim for unfair competition despite a finding that the patent owner had been guilty of bad faith in circularizing the trade. Even had full attorney's fees been awarded defendant's injury would not have been fully redressed, assuming only that the patent owner's conduct was not totally ineffectual.

<sup>90</sup> See text following note 6 *supra*.

the present system of *post facto* relief. Save in exceptional cases,<sup>91</sup> such preventive legislation will work no hardship upon a patent owner. A suit against the manufacturer allows a full adjudication of validity and infringement. If the patent is found valid and infringed, the owner can recover full damages in the same action assuming that the defendant is solvent.<sup>92</sup> If the manufacturer is insolvent, then the patent owner would be permitted to move against customers.<sup>93</sup> If, however, the patent is held invalid or if the manufacturer's products are held not to infringe, then his customers are by present rules of *res judicata* freed from the threat of lawsuit.<sup>94</sup> In addition, the court will in one lawsuit be able to enter all protective orders necessary to prevent harassment of the trade until the patent owner's claim is adjudicated.

<sup>91</sup> See note 58 supra. Injustice could be avoided by permitting exceptions within the discretion of the trial court.

<sup>92</sup> For a further possibility see note 56 supra.

<sup>93</sup> See note 59 supra.

<sup>94</sup> *Kessler v. Eldred*, 206 U.S. 285 (1907). Except in such a case, however, the holding of validity or invalidity in a suit against one defendant is not *res judicata* against another manufacturer or his customer. *Triplett v. Lowell*, 297 U.S. 638, 642-44 (1936); *Bulldog Electric Products Co. v. Cole Electric Products Co.*, 148 F.2d 792, 795 (C.A.2d, 1945) ("Another party could be sued on the claim or claims previously held invalid."); *Park-In Theatres, Inc. v. Waters*, 185 F.2d 193, 195-96 (C.A.5th, 1950).

Judge Schnackenberg, concurring in *Aghnides v. Holden*, 226 F.2d 949, 951 (C.A.7th, 1955), said: "He is entitled [to sue again] because a suit testing the validity of a patent is not a proceeding *in rem* and hence Aghnides may litigate and relitigate again and again the question of validity of a patent as long as he selects a different defendant in each of the infringement suits which he files, thus avoiding the wholesome doctrine of *res adjudicata*. This queer result is one which we are unable to avoid. It is a situation which is particularly abhorrent when considered against the backlog of untried cases which clogs our federal courts. The latter are cases where the litigant asks only for his day in court, not a plurality of days in court as Aghnides is entitled to under the existing law. The remedy lies not in our hands. The congress could by legislation grant relief."